



State of Utah

DEPARTMENT OF COMMERCE
Committee of Consumer Services

Minutes of the Meeting of the Committee of Consumer Services held
in the Heber M Wells Building, Salt Lake City, on 31 August 2004.

Dee Jay Hammon called the meeting to order at 9:39am in Room 4A.

Members of the Committee in Attendance:

Franz Amussen
Kelly Casaday

Ryan Atkinson
Dee Jay Hammon

Kent Bateman
Betsy Wolf

Staff in Attendance:

Roger Ball
Cheryl Murray
Paul Proctor

Kelly Francone
Eric Orton
Reed Warnick

Dan Gimble
Oliwia Smith
Nancy Kelly

Members of the Public in Attendance:

Dave Anderton
Glenda Stewart
Bruce Todd

Barrie McKay
Tyler Rasmussen

Wes Quinton
Stan Stoll

1. Administrative Matters

1.1. Welcome and Apologies for Absence

Dee Jay Hammon welcomed all those present.

1.2 Committee Appointments

Roger Ball announced that the Governor had nominated, and the Senate consented to the appointments of, Dee Jay Hammon, Kelly Casaday and Betsy Wolf for additional four year term as members of the Utah Committee of Consumer Services.

1.3 Minutes of Previous Meetings

Kent Bateman proposed that the minutes of the Committee meetings of 14 April, 10 and 17 May, 2004 be approved. Ryan Atkinson seconded the proposal, which passed unanimously.

1.4 Dates and Locations of Next Meetings

The Committee agreed that its next meeting would be held on Tuesday, 12 October, commencing at 9:30 am until 2:30pm in Room 4A of the Heber M Wells building. The following meeting is scheduled for Tuesday, 30 November, at the same time and in the same location.

2 Telecom

2.1 Pricing Flexibility

Paul Proctor explained that the Committee's docketing statement had been filed with the Utah Supreme Court.

2.2 Comcast Telephone Service

Oliwia Smith said that staff were looking at the availability of basic telephone service from Comcast, in terms of price and location.

2.3 Land Development Agreement Tariff

Oliwia explained that parties have not reached agreement as to whether Qwest should be required to pay more than its own costs for placement of telecommunications facilities. Qwest is expected to file proposed changes to its Tariff on 13 September.

2.4 Direct Communications Cedar Valley

Oliwia discussed the sale of Eagle Mountain telephone system to an Idaho company, Direct Communication Cedar Valley.

2.5 UBTA-UBET Co-operative Proposal

Oliwia explained the current status of the proposal to merge UBTA and UBET into a single co-operative. Representative from UBTA-UBET gave their views of the transaction.

3 Gas

3.1 Gas Storage Losses

Barrie McKay, of Questar Gas Company, explained that the amount of gas stored in the Clay Basin Storage facility appeared to be showing a decline, and described several possible reasons. He said that the lower measurement did not necessarily mean that gas was being lost. More work was being done to determine the cause of the lower measurement.

3.2 Purchase of a Municipal Gas Distribution System from the City of Santaquin

Barrie said that Questar Gas had purchased municipal gas distribution facilities from the City of Santaquin. The price paid was determined by Questar's cost of adding new customers to its system, and the number of customers in the municipal system.

3.3 May 2004 Pass-Through

Eric Orton explained that Questar Gas's May 2004 Pass-Through had been reviewed and nothing had been found to suggest that it should not be approved.

3.4 1999 Test Year Rate Case – the CO₂ Issue – Marshalling of Evidence

Reed Warnick observed that on 1 September, the Commission had issued an Order rejecting the parties' carbon dioxide stipulation and denying Questar Gas's request for carbon dioxide processing plant recovery. In its Order, the Commission determined that Questar Gas had failed to meet its burden to prove that it had acted prudently in response to increasing deliveries of low heat-content coal-seam gas to its distribution system by its affiliate, Questar Pipeline Company.

3.5 Rate Design Task Force

Eric explained that the Rate Design Task Force, created during the 2002 Test Year Questar Gas Rate Case, has been meeting for over a year. One outcome has been that Questar Gas has agreed to measure the lines that provide gas to industrial customers and assess future costs based on that measurement. This may provide a benefit to the customers the Committee represents.

4 Electric

4.1 PacifiCorp's Fiscal Year 2006 Test Year Rate Case

Dan Gimble outlined PacifiCorp's latest general rate case filing. The Company has filed using a future test year, its Fiscal Year 2006 (April 2005 – March 2006), and is requesting an increase of \$111M. Paul Proctor described the legislation that allows the Commission to accept the use of a future test year based on evidence presented.

4.1.1 Consideration of Several New Contracts

Kelly Casaday proposed that the Committee authorize the expenditure of \$315,650 to enter into contracts with Arndt & Associates, Diversified Utility Consultants Inc, Hayet Power Systems Consulting, Larkin & Associates, and Yankel & Associates to assist its staff in examining PacifiCorp's filing. Franz Amussen seconded the motion, which passed unanimously.

4.2 Sales of Power in Excess of 1MW by Qualifying Facilities to PacifiCorp (Schedule 38) – Avoided Cost Methodology

Kelly Francone indicated that the task force was still working toward getting the production cost model in place to determine more permanent rates, and resolving the green tag and risk issues.

4.3 Desert Power Qualifying Facility Contract

Kelly provided information on the proposed Desert Power contract, which was the first under the interim Schedule 38 rate. The contract had been approved by the PacifiCorp Board of Directors, and approval from the ScottishPower Board and the Commission was awaited.

4.4 US Magnesium Qualifying Facility Contract

Kelly explained that parties were currently negotiating the terms under which US Magnesium wished to sell power to PacifiCorp as a QF.

4.5 US Magnesium Special Contract

Kelly described the US Magnesium filing requesting economic development rates for a new special contract.

4.6 Open Bidding/RFP Process

Kelly indicated that the Open Bidding Task Force members had made recommendations on how to improve the current process, which would be filed with the Commission, and provided to the Energy Policy Task Force on 9 September.

4.7 Lake Side Power Project

Cheryl Murray said that PacifiCorp had filed for a certificate of convenience and necessity to construct a new, 534MW, gas-fired, combined-cycle combustion turbine plant, at an expected cost of \$330M.

4.8 26 December 2003 Outages

Cheryl indicated that, in May, PacifiCorp had filed its Outage Report with the Commission. The Williams Consulting Inc report noted several items where it did not completely agree with the Company's findings.

4.9 Multi-State Process

Nancy Kelly provided an update on the hearings in the MSP process, and indicated that the Commission had not issued an order. Reed Warnick had sent a memo to the Commission regarding allocation to Utah customer classes under the revised protocol.

4.9.1 Consideration of a Contract Amendment

Kent Bateman proposed that the Committee approve an amendment to the Synapse Energy Economics contract in the amount of \$100,000 for continuing assistance with the MSP process. Franz Amussen seconded the motion and it passed unanimously.

4.10 The Federal Energy Regulatory Commission's Standard Market Design

Roger provided a brief update on the status of federal SMD proceedings.

4.10.1 Consideration of a Contract Amendment

Kent Bateman proposed an amendment to the FERC SMD contract with Tellus Institute for \$2,500, and an extension in termination date to 30 June 2005. Ryan Atkinson seconded the motion, which passed unanimously.

5 Closed Meeting – To discuss Pending or Reasonably Imminent Litigation

At 12:45pm, Ryan Atkinson proposed that the Committee go into executive session to discuss pending or reasonably imminent litigation. Franz Amussen seconded the motion and it passed unanimously.

At 2:25pm, Kent Bateman proposed that the Committee return to open session. Kelly Casaday seconded the proposal, which passed unanimously.

6 Motions on Matters Discussed in Closed Meeting

The Committee took no action on matters discussed in closed meeting.

7 The Committee: Its Function and its Future

7.1 Office Space

Roger Ball invited Committee Members to visit staff's new office space.

7.2 Personal Services Budget

Ryan Atkinson proposed the approval of a Memorandum of Understanding with the Office of the Attorney General undertaking that the Committee would pay up to \$120,000 a year – up to \$90,000 from its Administrative Budget and up to \$30,000 from its Professional & Technical Services Budget – to reimburse the personal services costs of the Committee's second attorney. Betsy Wolf seconded the motion and it passed unanimously.

8 Other Business

There being no other business, Kent Bateman proposed that the Committee adjourn, and the meeting ended at 2:32pm.